PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Distribution DATE: October 31, 1994

FROM: Marketing Information & Analysis / Jennifer Lichtman

SUBJECT: **Nielsen Retail Pricing Update - 10/22/94 (week ending)**

SUMMARY

- The pack price gap increased to 47.3%, its highest level YTD.
- Basic's price disadvantage with the Lowest Discount brand increased to 79%.
- <99¢ remained at 19%, its highest level YTD.

KEY FINDINGS

Prices and Gaps

- In **C-stores**, the Premium pack price remained stable for the ninth consecutive week. The Lowest Discount pack price decreased -1¢, after remaining stable for three consecutive weeks, primarily due to lower prices on RJR P/L's. The resulting price gap increased to 62¢ or 47.3%, its highest level YTD.

  On a one week basis, the gap continued to increase in Region 2 as Marlboro's average price increased while the Lowest Discount price remained unchanged. On a four week basis, the gap in Region 2 expanded as increased promotional support on Doral, GPC, and Liggett P/L's decreased the Lowest Discount price.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	LOWEST							
	MARL	DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$1.93	$1.31	$0.62	47.3%	$0.01	1.1	$0.00	0.4
R1	$2.10	$1.51	$0.59	39.1%	$0.01	1.2	$0.01	0.7
R2	$1.79	$1.17	$0.62	53.0%	$0.03	2.6	$0.02	2.1
R3	$1.91	$1.30	$0.61	46.9%	-$0.02	-1.9	$0.00	0.5
R4	$1.88	$1.29	$0.59	45.7%	$0.02	1.9	$0.01	1.0
R5	$2.04	$1.34	$0.70	52.2%	-$0.01	-0.8	-$0.01	-1.0

- In **Supermarkets**, Premium and Lowest Discount carton prices also remained relatively stable, -3¢ and +1¢, respectively, with the resulting price gap at $4.84 or 41.9%.

  On a four week basis, the price gap has remained stable (Region 3) or declined in all regions.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	LOWEST							
	MARL	DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$16.38	$11.54	$4.84	41.9%	-$0.04	-0.4	-$0.09	-1.1
R1	$17.79	$13.25	$4.54	34.3%	-$0.05	-0.4	-$0.15	-1.5
R2	$14.52	$9.94	$4.58	46.1%	$0.01	0.4	-$0.10	-1.4
R3	$16.06	$11.05	$5.01	45.3%	$0.02	0.5	-$0.01	0.0
R4	$16.93	$12.20	$4.73	38.8%	-$0.20	-1.9	-$0.03	-0.3
R5	$17.63	$12.28	$5.35	43.6%	-$0.02	-0.1	-$0.19	-2.2

2060093987

Source: https://www.industrydocuments.ucsf.edu/docs/xhgn0004

Basic's Price Disadvantage

- In **C-stores**, incidence of Basic's price disadvantage (>10¢) with the Lowest Discount brand increased to 79%, more than offsetting the prior week's decrease, as wholesale buy down incidence on GPC increased.

  Basic's price disadvantage with GPC increased +2 points week to week, however, on a four week basis, incidence of Basic's disadvantage is down -2 points as wholesale buy down support on GPC has trended down.

  Basic's disadvantage with Doral remained unchanged at its YTD high of 43% for the sixth consecutive week as Doral buy down incidence was stable.

	% STRS > 10¢	CHG VS LAST	4WK VS 4WAGO	AVG PRC DIFF	CHG VS LAST	4WK VS 4WAGO
BASIC vs. LOWEST DISC	78.5%	2.0	-0.6	$0.32	$0.00	$0.00
BASIC vs. GPC	55.9%	2.3	-2.4	$0.26	$0.01	$0.00
BASIC vs. RJR PL	69.2%	1.0	-2.3	$0.36	-$0.01	$0.03
BASIC vs. DORAL	43.0%	0.2	0.8	$0.24	$0.00	$0.00

- In **Supermarkets**, incidence of Basic's price disadvantage (>$1) with the major competitive brands (GPC, Doral, RJR P/L's) and the Lowest Discount brand decreased week to week.

	% STRS > $1.00	CHG VS LAST	4WK VS 4WAGO	AVG PRC DIFF	CHG VS LAST	4WK VS 4WAGO
BASIC vs. LOWEST DISC	82.5%	-2.6	0.9	$2.54	$0.03	-$0.04
BASIC vs. GPC	53.6%	-2.4	-2.8	$2.07	-$0.04	-$0.01
BASIC vs. RJR PL	72.9%	-3.2	2.4	$2.24	$0.08	-$0.06
BASIC vs. DORAL	46.7%	-8.7	-0.2	$2.22	$0.01	$0.01

≤99¢ Incidence

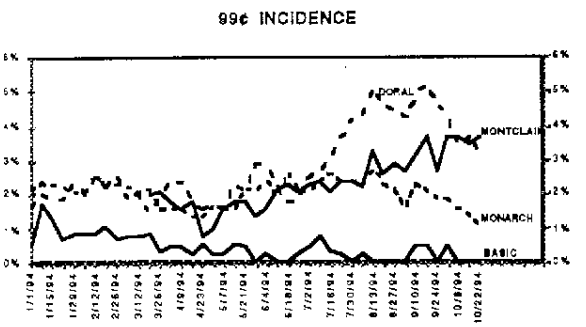
- ≤99¢ incidence remained relatively stable at 19% of C-stores. Incidence decreased in Region 2 week to week, offsetting the prior week's increase, but remains up +3 points on a four week basis. Incidence in Region 5 increased week to week driven by RJR P/L's.

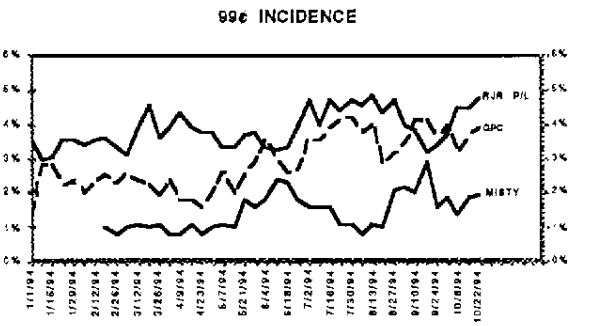
	≤99¢	Chg. vs. WAGO	4WK vs. 4 WAGO
NTNL	18.6%	-0.4	1.5
R1	3.0%	0.1	-1.2
R2	30.1%	-3.2	3.3
R3	16.0%	-1.3	2.2
R4	25.9%	-1.0	3.0
R5	11.5%	2.0	-0.7

- Nationally, Best Value and RJR P/L's increased incidence at the ≤99¢ price point while Doral and Monarch decreased incidence. Incidence on GPC, Misty, and Montclair remained stable.

2060093988

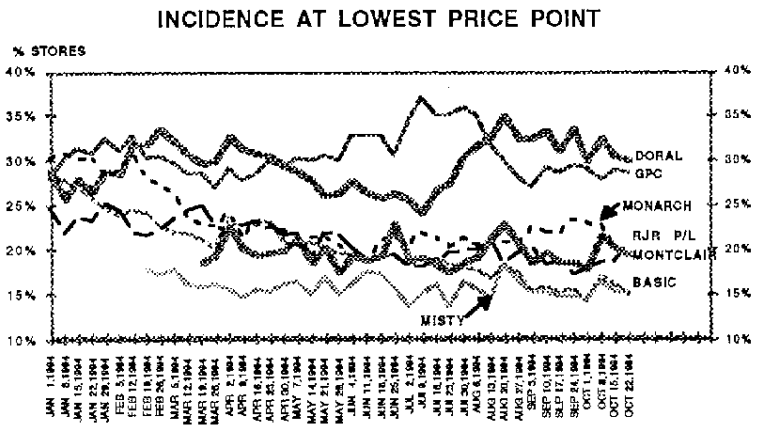
Source: https://www.industrydocuments.ucsf.edu/docs/xhgn0004





Lowest Price Point

- RJR P/L's gained incidence at the lowest price point while Doral, Monarch, Montclair, and Basic lost incidence.



EMERGING TRENDS

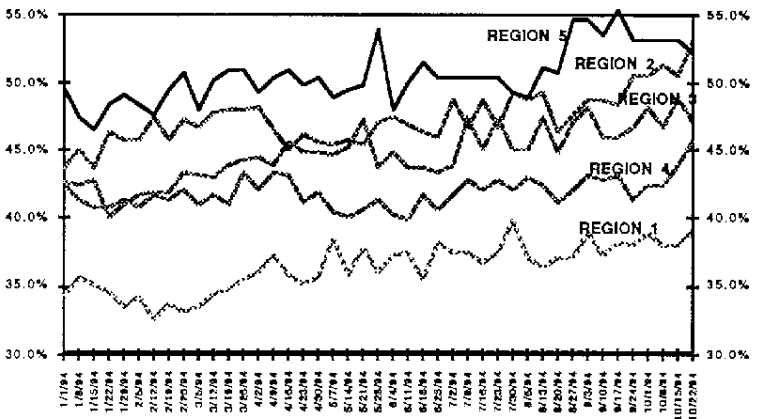
- PM Discount brands decreased their incidence at the lowest price point week to week while maintaining their minimal level at the ≤99¢ price point.

	Lowest Price Point		≤ 99¢	
PM Brands	Incidence	Chg. vs. WAG	Incidence	Chg. vs. WAG
Basic	15.0%	-0.9	0.0%	0.0
Cambridge	10.2%	-1.2	0.8%	0.0
Alpine	5.3%	-1.2	0.3%	0.0
PM P/L	9.1%	-1.0	1.4%	-0.2

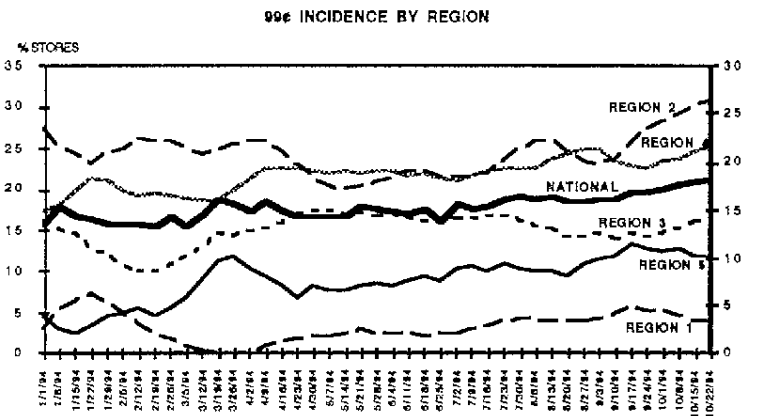
- The national pack price gap, at its highest level YTD, has increased primarily in Regions 2 and 4 in recent weeks. Region 2 has the highest price gap to date, surpassing Region 5, as 99¢ incidence has increased in this region and as promotional support on Doral, GPC, and Liggett P/L's drove down the Lowest Discount price. In Region 4, the price gap has widened primarily due to increased wholesale buy downs on GPC driving down the Lowest Discount average price.

2060093989

Source: https://www.industrydocuments.ucsf.edu/docs/xhgn0004



- Nationally, ≤99¢ incidence, at its highest level YTD, has increased primarily in Region 2, as Montclair, GPC, and American P/L's gained incidence at this price point.



Distribution:

R. Anise
M. Anton
D. Beran
D. Berenson
G. Bible
G. Blumenson
D. Burrows
W. Campbell
R. Caricofe
J. Chaump
C. Cohen
K. Compton
P. Dodd
D. Ennis
J. Falvo
P. Fernandez
R. Ferrin
L. Funess
S. Fuller
T. Garguilo
E. Gawronski
E. Gee
A. Goldfarb
M. Gordon
M. Grande
J. Greene
P. Henriques
S. Jannetta
C. Johnson
J. Kiernan
L. Lembo
S. LeVan
C. Levy
A. Lewis
H. Long
N. Lund
M. Mahan
T. McGovern
P. McCarthy
S. Medakkar
R. Mikulay
J. Morgan
B. Neidle
J. Nelson
T. Nelson
A. Padoan
N. Parmet
S. Piskor
G. Plaia
D. Potter
S. Rush
T. Saloun
M. Salzman
E. Schneidman
M. Schroeder
A. Schwartz
B. Schuyler
A. Sinha
W. Smith
N. Suter
M. Szymanczyk
L. Theaman
J.G. Tucker
B. Turo
R. Webster
J. Thomas
C. Tucker
B. Weinstein
L. Wexler
R. Whalen

2060093990

Source: https://www.industrydocuments.ucsf.edu/docs/xhgn0004